CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

October 29, 1998

H.R. 4328
Omnibus Consolidated and Emergency Supplemental Appropriation Act, 1999

As enacted on October 21, 1998

SUMMARY

The Congressional Budget Office (CBO) estimates that H.R. 4328, enacted as Public Law 105-277, will increase outlays from direct spending by $1,135 million and will increase on-budget revenues by $1,110 million over the 1999-2003 period. As a result, the net pay-as-you-go impact of the act will be an increase in on-budget deficits of $25 million over the five-year period. These estimated totals exclude the act's effects on off-budget revenues, which do not count for pay-as-you-go purposes under the Balanced Budget and Emergency Deficit Control Act.

Public Law 105-277 also provides about $222 billion in new discretionary funding for fiscal year 1999 in the form of regular, supplemental, and emergency appropriations. Those measures are included in Divisions A and B of the act. Divisions A and B also include several provisions that affect direct spending programs, and these changes are included in the discretionary spending totals. CBO's estimate of the legislation's effect on discretionary spending are contained in a separate estimate provided on October 27.

Although Public Law 105-277 is an appropriation act, Division K specifies that the provisions in Divisions C through J, plus section 103 of Division A, are subject to pay-as-you-go procedures. A few provisions in Division A and Division C affect revenues, and their effects are also subject to pay-as-you-go procedures. Table 1 summarizes estimates by CBO and the Joint Committee on Taxation of the act's effects on outlays from direct spending and on-budget receipts. For pay-as-you-go purposes, only the effects in the budget year and the following four years are counted.

Table 1. Summary of Public Law 105-277's Effects on Direct Spending and On-Budget Receipts

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	121	1,989	-1,037	102	-40	-114	-174	-155	-134	-158
Changes in receipts	201	1,869	14	-734	-240	-379	-396	-307	51	321

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Several provisions contained in Divisions C through J will affect direct spending, receipts, or both. The most significant effects relate to changes in Medicare, extension of certain tax provisions, and other changes in taxes. CBO estimates that the Medicare provisions contained in Division J will increase outlays by $150 million in 1999 and by $2 billion in 2000, and will reduce Medicare outlays by $1.35 billion over the following three years. Division J will increase receipts by $198 million in 1999 and $762 million over the 1999-2003 period. CBO estimates additional receipts of $205 million over the same period for provisions contained in Divisions A and C, for a total increase in revenues of $967 million over five years. (Those totals include both on- and off-budget revenue effects. The legislation reduces off-budget revenues by an estimated $143 million over the 1999-2003 period.)

Section 103 of Division A allows the Tennessee Valley Authority (TVA) to prepay $3.2 billion in loans from the Federal Financing Bank (FFB) within the Department of the Treasury without paying the prepayment premiums that would have been required under the terms of the existing loan contracts. CBO estimates that this provision will cost the federal government about $300 million over the 1999-2003 period and more than $1 billion over the next 20 years.

Table 2 details CBO's estimates of the provisions that would change direct spending or revenues by at least $1 million in at least one year over the 1999-2008 period. The estimates and following discussion correspond to the order that provisions appear in the act.

Table 2. Estimated Changes in Direct Spending, Receipts, and the Surplus Under Public Law 105-277

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CHANGES IN OUTLAYS FROM DIRECT SPENDING [a]										
TVA Debt Refinancing	16	13	63	113	101	69	47	47	47	47
San Joaquin Land Conveyance	-1	0	0	0	0	0	0	0	0	0
New Visa Fees and Spending	-64	-38	-7	20	19	6	1	0	0	0
South Dakota Land Transfer	0	0	0	0	0	0	0	0	0	6
Canyon Ferry Reservoir	0	-1	0	0	1	1	1	1	1	1
Vaccine Injury Compensation	3	3	3	6	6	7	7	7	8	8
Persian Gulf War Veterans Act	0	0	0	10	30	50	70	90	110	130
Sallie Mae	0	3	3	3	3	3	0	0	0	0
Trade Adjustment Assistance	17	9	1	0	0	0	0	0	0	0
Medicare-Related Provisions	150	2,000	-1,100	-50	-200	-250	-300	-300	-300	-350
Total	121	1,989	-1,037	102	-40	-114	-174	-155	-134	-158
CHANGES IN RECEIPTS (REVENUES) [b]										
Default Loss Protection	4	18	47	64	82	100	120	141	163	186
Women's Health and Cancer Rights										
On-budget	-2	-4	-4	-4	-4	-4	-5	-5	-5	-6
Off-budget	-1	-1	-1	-2	-2	-2	-2	-2	-2	-2
Vaccine Injury Compensation	1	2	3	4	5	6	6	6	7	7
Extension of Expiring Provisions	-1,771	-1,089	-409	-299	-196	-117	-100	-104	-109	-115
Other Tax Provisions										
On-budget	-652	169	-302	-857	-472	-754	-861	-848	-575	-401
Off-budget	0	-4	-42	-44	-46	-47	-49	-50	-52	-54
Revenue Offsets[c]	2,451	1,155	778	706	742	774	811	849	891	934
Medicare-Related Provisions	170	1,618	-99	-348	-397	-384	-367	-346	-321	-284
Total	200	1,864	-29	-780	-288	-428	-447	-359	-3	265
Off-budget	-1	-5	-43	-46	-48	-49	-51	-52	-54	-56
On-budget	201	1,869	14	-734	-240	-379	-396	-307	51	321
CHANGES IN THE SURPLUS [d]										
On-Budget	80	-120	1,051	-836	-199	-264	-221	-151	186	479
Off-Budget	-1	-5	-43	-46	-48	-49	-51	-52	-54	-56
Total	79	-125	1,008	-882	-247	-313	-272	-203	132	423

a. Section 141 of Division C, pertaining to the disposition of property at the Lorton Correctional Complex, will also affect direct spending, but CBO cannot estimate those effects at this time.

b. Only on-budget effects are counted for pay-as-you-go purposes.

c. The change in vaccine excise taxes is contained in both Title XV of Division C and Title III (Revenue Offsets) of Division J. The table excludes the provision from the revenue offsets to avoid double-counting.

d. Negative numbers denote an estimated decrease in the annual budget surplus; positive numbers denote an increase.

BASIS OF ESTIMATE

Direct Spending

CBO estimates that ten components of the act will have significant effects on direct spending over the 1999-2008 period. In addition, we expect that an eleventh provision—relating to the disposition of certain property at the Lorton Correctional Complex—is also likely to have a significant impact on direct spending, but we cannot estimate the amounts or timing of those changes.

Division A, Section 103—TVA Debt Refinancing. Under its loan contracts with the FFB, TVA would have had to pay a premium for the right to prepay such loans. Section 103 waives those prepayment premiums so that the agency can refinance some of its debt that carries interest rates higher than the rates it can obtain on new debt issues. CBO estimates this provision will cost the federal government a total of $1.15 billion, of which $563 million will be incurred over the 1999-2008 period and the remaining $585 million thereafter.

Although refinancing will not change the government's indebtedness, it will change the Treasury's interest income and costs. TVA customers currently pay $309 million a year to the Treasury in interest on the $3.2 billion debt. After TVA replaces the FFB debt with private-sector debt, TVA ratepayers will pay interest to the private bondholders rather than the Treasury, resulting in a loss of receipts to the Treasury of the $309 million. In addition, CBO estimates that Treasury's interest cost will decline by about $196 million a year after TVA pays off the notes because the Treasury will have to borrow less from the public. We estimate that the net cost to the Treasury will average about $113 million per year through 2002 and then decline. Combining those Treasury costs with changes in TVA’s cash flows produces the estimated net budgetary costs shown in Table 2, which sum to $306 million over the 1999-2003 period.

This provision will have no net effect on TVA's net outlays over the long run because TVA is required to pass on all of its costs and savings to its customers. However, it will probably affect the agency's cash flows in certain years. If TVA passes the savings on to its customers immediately, there will be no change in its net outlays because the reduction in interest costs resulting from refinancing will be offset by a reduction in receipts. Alternatively, postponing a rate adjustment will reduce the agency's outlays in the near term (because its receipts will remain steady while interest costs fall) but will increase outlays in future years (because the reduction in rates, and the decline in receipts, will have to be larger to pass on the cumulative benefit of lower interest costs). Given recent rate increases and continued appropriations for stewardship programs, CBO expects that TVA will postpone any adjustments until after

1999. As a result, we estimate that most of the budgetary impact of this section will fall in future years.

Division C, Section 140—San Joaquin Land Conveyance. Section 140 requires the Attorney General to convey by negotiated sale approximately 200 acres of land located in San Joaquin County, California, to the city of Tracy. The Bureau of Prisons (BOP) currently controls the 200 acres and reports that it has no plans for declaring the property as being excess to its needs. Therefore, CBO expects that the land would not otherwise have been sold through at least fiscal year 2003. Based on information provided by the city and by the General Services Administration (GSA), CBO estimates that selling the land will increase offsetting receipts in fiscal year 1999 by about $1 million.

Division C, Section 141—Land Disposition at the Lorton Correctional Complex. This section transfers the responsibility for disposing of the approximately 3,000 acres at the Lorton Correctional Complex from the Department of the Interior (DOI) to GSA. That responsibility was provided to DOI under title XI of the Balanced Budget Act of 1997. In addition, the section allows GSA to retain and use any proceeds generated from the sale of the Lorton property. By transferring the responsibility to GSA, which generally is responsible for disposing of surplus federal property, and allowing it to retain any receipts, the section will likely result in the federal government obtaining more receipts and sooner than it would have through DOI. However, by allowing GSA to retain and spend the proceeds, the section will also increase direct spending. (Previously, any proceeds would have been deposited in the Treasury as offsetting receipts.)

CBO cannot now estimate the amount of the net increase in direct spending, although it could be in the millions of dollars. First, neither DOI nor GSA has valued the property or assessed the extent of environmental cleanup and remediation required to prepare the property for disposal. Second, it is unclear how DOI would have disposed of the property if it had retained responsibility for it. Finally, the section requires GSA to transfer at no cost parcels requested by DOI or Fairfax County. It is uncertain what parts of Lorton will be transferred to those two entities.

Division C, Title IV—New Visa Fees and Spending. Title IV will temporarily increase the number of visas for skilled nonimmigrant workers. The annual limit on these visas was 65,000 in 1998. Under the new law, the limit will rise to 115,000 in 1999 and 2000, taper off to 107,500 in 2001, and return to 65,000 in 2003 and following years. The act requires the Attorney General to collect a fee from employees of $500 per petition for initial status, extended stay, and employment changes. These fees will be spent without subsequent appropriation by the Department of Labor, the National Science Foundation, and the

Immigration and Naturalization Service on high-tech job training and scholarships and on administrative expenses. CBO estimates that the new fee will bring in offsetting collections of about $360 million over the 1999-2003 period (and $610 million over the 1999-2008 period). All of the collections will eventually be spent, but CBO estimates a net reduction in direct spending of $70 million over the 1999-2003 period (and a net decrease of $63 million over the 1999-2008 period).

Division C, Title VI—South Dakota Land Transfer. This title directs the U.S. Army Corps of Engineers to transfer lands to the Department of the Interior, to be held in trust for the Cheyenne River and Lower Brule Sioux Tribes, and to the state of South Dakota. The United States will relinquish all collections from permits, easements, rights-of-way, and recreational use of these lands. CBO anticipates that the transfers will occur in 2008. CBO estimates that the amount of offsetting receipts forgone under this provision will total about $1 million annually beginning in that year.

This title also establishes habitat restoration funds for the Cheyenne River and Lower Brule Tribes and the state of South Dakota. Beginning in 1999, title VI directs the Secretary of the Treasury to deposit a total of $15 million a year into separate accounts in the U.S. Treasury on behalf of the tribes and the state. Those amounts will be invested in interest-bearing Treasury securities. Once the balances in these accounts total $165 million—$57 million for the tribes and $108 million for the state—no further principal deposits will be made. Interest earnings will be made available to the tribes and the state without fiscal year limitation or the need for further appropriation. CBO estimates that the funds will be fully capitalized by the end of fiscal year 2007 and that interest earnings will be made available to the tribes and the state totaling $10 million in 2008 and $11 million a year thereafter. We estimate that outlays from those funds will total $5 million in 2008.

Division C, Title X—Canyon Ferry Reservoir. Title X directs the Secretary of the Interior to convey certain properties around Canyon Ferry Reservoir in Montana. The Secretary will deposit 10 percent of sale proceeds in the Treasury and pay the balance to the Montana Fish and Wildlife Conservation Trust, a nonprofit charitable public trust. CBO anticipates that most of the sales will occur over the 2000-2002 period. Based on information provided by the Bureau of Reclamation, CBO estimates that total sale proceeds will total about $10 million in 2000 and $5 million in each of fiscal years 2001 and 2002.

Under the Balanced Budget Act of 1997, proceeds from nonroutine asset sales (sales that are not authorized under current law) may be counted for pay-as-you-go scorekeeping only if the sale entails no financial cost to the government. Based on information provided by the Bureau of Reclamation, CBO estimates that the sale proceeds will exceed the amount that the federal government would have collected in rental and permit payments; therefore, selling these assets will result in a net savings.

CBO estimates that, after paying the trust, the net budgetary impact will be a reduction in direct spending of about $1 million in 2000 and less than $500,000 in 2001. CBO estimates that sale proceeds that are to be deposited in the Treasury in 2002 will be roughly offset by the loss of lease proceeds that otherwise would have accrued to the Treasury in that year. CBO estimates that the provision will result in an increase in direct spending from the loss of proceeds on existing leases totaling slightly more than $500,000 annually beginning in 2003.

Division C, Title XV—Vaccine Injury Compensation. Title XV amends the Public Health Service Act to eliminate a requirement that a person incur unreimbursed medical expenses in order to receive compensation under the National Vaccine Injury Compensation Program (NVICP). Under prior law, the courts could deny compensation to claimants if they had not incurred $1,000 in unreimbursed medical expenses for a condition that developed as a result of receiving a vaccine. The law prevented some Medicaid enrollees, Native Americans, military dependents, and HMO enrollees from receiving compensation under the NVICP because they had health insurance coverage for all or most of their medical expenses. It also deterred some of those individuals from filing a claim for compensation. CBO estimates that by eliminating the $1,000 threshold requirement, this act will increase outlays from the National Vaccine Injury Compensation Trust Fund by $6 million in fiscal year 1999 and by $32 million over the 1999-2003 period. The trust fund will also reimburse Medicaid for certain health care costs for individuals enrolled in Medicaid, thereby reducing the federal share of Medicaid spending by $3 million a year and $15 million over the 1999-2003 period.

Title XV also amends the Internal Revenue Code of 1986 to include the rotavirus gastroenteritis vaccine as a taxable vaccine and thus allows for compensation for injuries related to this vaccine from the National Vaccine Injury Compensation Trust Fund. CBO estimates that this provision will have no effect in 1999 but will increase outlays by $4 million over the 1999-2003 period.

In total, the increase in direct spending under this title will be $3 million in fiscal year 1999 and $21 million over the 1999-2003 period. This title also increases governmental receipts, as discussed below.

Division C, Title XVI—Persian Gulf War Veterans Act. This title will provide a mechanism for establishing a service connection for illnesses associated with service in the

Persian Gulf War. CBO estimates that the title will increase direct spending by about $40 million over the 1999-2003 period.

Veterans of the Persian Gulf War are entitled to disability compensation under the same conditions as other veterans, but in addition the law has allowed the Department of Veterans Affairs (VA) to award benefits to Gulf War veterans suffering from undiagnosed illnesses. In general, a veteran is eligible for disability compensation if a diagnosed illness becomes manifest during military service or during the one-year period following discharge—the so-called presumptive period. Gulf War veterans are also eligible for the benefit if they have an undiagnosed illness, but in those cases the presumptive period lasts, under current regulations, until 2001 for illnesses that have chronic symptoms. Based on those criteria and others, VA pays disability compensation to approximately 80,000 Gulf War veterans out of the approximately 697,000 U.S. troops deployed to the Persian Gulf region during Operations Desert Shield and Desert Storm.

The act will set up a mechanism for VA to establish a list of illnesses that will be presumed to have a connection to military service for Gulf War veterans. It will establish a presumption, unless there is conclusive evidence to the contrary, that ailing Gulf War veterans were exposed to approximately 30 different agents, hazards, and vaccines listed in the act if VA regulations associate exposure with the illness. The act provides that whenever VA determines that sound medical and scientific evidence points to a positive association between those exposures and diagnosed or undiagnosed diseases, VA shall prescribe regulations presuming that the illness is connected to military service if it occurs in a veteran during a time period to be also set by regulations. In making those determinations, VA will be required to consider several factors including reports by the National Academy of Science (NAS) that the act will require. It will also allow VA to remove existing presumptions for illnesses that VA determines are not warranted based on a NAS report. (Individuals receiving benefits based on the existing presumption would continue to receive them.)

The act requires NAS to determine whether exposure to an item on the list has statistical association with an illness, the increased risk of illness due to exposure, and the plausibility of a biological mechanism or other evidence of a causal relationship. Within 18 months of enactment, NAS must identify the hazards faced by individuals who served in the theater of operations during the war and the illnesses that are manifest in such members. In addition, NAS will review potential treatment models for certain illnesses and make recommendations for additional scientific studies. NAS also has to conduct ongoing reviews of the evidence and data on exposures and illnesses associated with service during the Persian Gulf War.

The act will raise spending for disability compensation because it will increase VA's authority to determine what diseases are service connected for Gulf War veterans and when the disease must become manifest before it will pay benefits. The potential costs are increased by provisions that define the standards that VA will use and that, under certain conditions, will grant a broad presumption of exposure to the agents, hazards, and vaccines. The statistical standard in the act could lead to benefits for veterans whose exposure falls short of that which might be found to cause disease. It is also possible that veterans could suffer those diseases from causes apart from their service in the Gulf War—for example, hazards experienced in their subsequent civilian employment—yet be eligible for compensation under the presumed linkages that could be established under the act.

The budgetary impact of the title will depend on what NAS and other researchers find and how VA will use its discretion. Under current law, roughly 80,000 veterans who do not qualify based on income or diagnosed disabilities come to VA for medical care because of conditions related to service during the Gulf War. This population provides some indication of how many veterans might benefit from the act—at least for illnesses that occur within 10 years. Some of these veterans might not qualify under the act for disability compensation. Others who do not come to VA for medical care might qualify—especially veterans whose ailments might occur many years from now. Thus, based on the average benefit currently paid to other Gulf War veterans—about $3,500 annually—the act could increase direct spending by $300 million a year or more. In addition, the title would increase discretionary costs for veterans' medical care. Because of the time it will take for the medical research, deliberations within VA, and manifestation of some diseases, the title's full budgetary impact may not be felt for 10 to 20 years.

Division H—Sallie Mae. This provision allows the holding company which owns Sallie Mae's government-sponsored enterprise (GSE) subsidiary to affiliate with a depository institution such as a bank or a credit union. If the holding company opts to affiliate with a depository institution, then, with certain exceptions, dissolution of the GSE must occur within two years under terms specified by the Secretary of the Treasury.

Under current law, the GSE must be dissolved by 2007. Under this provision, any affiliation with a depository institution before 2005 would likely speed up the dissolution of the GSE. Sallie Mae now pays the government an annual fee on all holdings of the GSE which are not securitized. If dissolution occurred earlier, the government would lose these receipts.

CBO estimates that this provision will cost $12 million over the 1999-2003 period (and a total of $15 million over the 1999-2008 period). The estimates, based on credit reform principles, assume that Sallie Mae acquires loans made by banks roughly three years after they are issued. Based on information that Sallie Mae supplied to the Congress, the estimate assumes that Sallie Mae will opt to affiliate with a depository institution. Although the timing of such a decision is not known, it is assumed to occur by the beginning of fiscal year 2000 with dissolution of the GSE occurring by the end of 2002.

Division J, Section 1012—Trade Adjustment Assistance. This section extends both the regular and North American Free Trade Agreement (NAFTA) Trade Adjustment Assistance (TAA) programs through June 30, 1999. TAA consists of two components, training and cash benefits similar to unemployment compensation. Regular and NAFTA TAA together had outlays of about $317 million for 1998. The costs of extending the main TAA program are included in the baseline, as required by the Balanced Budget and Emergency Deficit Control Act. However, the costs of extending the NAFTA portion of TAA are not included in the baseline. In the NAFTA program, a beneficiary must be enrolled in a training program to receive cash benefits. Under prior law, the training component of NAFTA TAA was capped at $30 million, however this section reduces the cap to $15 million. CBO estimates this section's extension of that program will increase outlays by $27 million over the 1999-2003 period.

Division J, Title V—Medicare-Related Provisions.

Subtitle A—Home Health. The act revises Medicare payment rates for services furnished by home health agencies during cost reporting periods beginning in or after fiscal year 1999. The revised rates will form the basis for Medicare payments until a prospective payment system (PPS) for home health services is implemented.

The act increases the per visit cost limits from 105 percent of the median per visit costs to 106 percent. It reduces the per beneficiary limit from 98 percent of the national median per beneficiary limit to 75 percent for agencies whose first cost reporting period begins in or after fiscal year 1999. And it establishes a floor for the per beneficiary cost limits for agencies whose first cost reporting period began before fiscal year 1999.

For agencies that had a cost reporting period ending in fiscal year 1994, the per beneficiary limit will be the greater of the agency's per beneficiary limit under prior law or the sum of that limit and one-third of the difference between that limit and the national median per beneficiary limit. For home health agencies without a cost reporting period ending in fiscal year 1994 but with a cost reporting period beginning before fiscal year 1999, the per beneficiary limit will be the greater of the agency's per beneficiary limit under prior law and the national median per beneficiary limit.

Under prior law, the per visit limits and the per beneficiary limits were to be reduced by 15 percent for cost reporting periods beginning in fiscal year 2000. The act postpones this reduction and applies it to payments for services furnished on or after October 1, 2000. It also postpones until October 1, 2000, the target date for implementation of a prospective payment system for home health services and elimination of periodic interim payments. The act will adjust payment rates for home health services on October 1 of each year, rather than on a cost reporting period basis, beginning with the implementation of PPS.

Under prior law, the per beneficiary limits and prospective payment rates were to be increased each year by the rate of growth in the home health market basket—a measure of changes in prices in home health inputs. The act reduces the update by 1.1 percentage points for cost reporting periods beginning during fiscal years 2000-2003 (or for services furnished during those fiscal years, if a PPS has been implemented).

The change in Medicare Part B spending resulting from these changes to home health payments will be excluded from the calculation of the Part B premium until a PPS for home health services is implemented.

CBO estimates that this provision will increase federal spending by about $0.1 billion in 1999 and $0.8 billion over the 1999-2003 period. This provision will reduce federal spending beginning in 2001, with savings of about $0.7 billion over the 1999-2008 period.

Subtitle B—Other Provisions. The act will give the Secretary of Health and Human Services (HHS) and Inspector General of HHS the authority to grant exceptions to the prohibition on offering inducements to Medicare or Medicaid enrollees to obtain services from a particular provider. The provision is intended to permit dialysis providers to subsidize Medicare Part B premiums or Medigap premiums for some low-income patients with end-stage renal disease. CBO assumes the Secretary and Inspector General will use the authority for only that purpose. CBO estimates that this provision will increase federal spending by $2 million in fiscal year 1999 and by $20 million over the 1999-2003 period.

Governmental Receipts

H.R. 4328 amends existing tax laws and extends numerous tax provisions that had expired recently or were about to expire. The Congressional Budget Office and the Joint Committee on Taxation estimate that the act will increase governmental receipts by $967 million over the 1999-2003 period. The estimated increase in on-budget receipts is $1,110 million over the same period. The act will decrease off-budget receipts by $143 million over that period.

Most of the impact on receipts is attributable to provisions contained in Division J. Two provisions in Division A will yield a net increase of $190 million in receipts over the 1999-2003 period. (Two additional provisions in Division A also would affect revenues, but those changes would not be significant.) In addition, one provision in Division C will increase receipts by $15 million over the five-year period.

Division A, Section 122—Default Loss Protection. This provision repeals section 202 of the Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1999 (Public Law 105-276). That section amended the charter of Freddie Mac (formally, the Federal Home Loan Mortgage Corporation) to allow that government-sponsored enterprise to purchase conventional, single-family mortgages with loan-to-value ratios in excess of 80 percent if the loans are subject to default loss protection that the GSE determines is financially equal or superior, on an individual or pooled basis, to private mortgage insurance. Such default loss protection would generally have been financed by borrowers paying a higher mortgage interest rate. Most borrowers whose loans were covered by such protection would have increased their itemized deductions, which would have reduced individual income tax receipts. CBO estimated that, under Public Law 105-276, revenues would decline by $215 million over the 1999-2003 period. Repealing the amendment to Freddie Mac's charter will eliminate that estimated reduction in federal revenues.

Division A, Title IX—Women's Health and Cancer Rights. The Women's Health and Cancer Rights Act requires that health insurers cover reconstructive surgery following mastectomy. This provision will increase the premiums for employer-sponsored health insurance, substitute nontaxable fringe benefits for taxable wages, and reduce on-budget receipts from income and payroll taxes by $2 million in 1999 and $18 million over the 1999-2003 period. It also will reduce off-budget revenues by $1 million in 1999 and $7 million over the 1999-2003 period, but those effects are not counted for pay-as-you-go purposes.

Division C, Title XV—Vaccine Injury Compensation. As noted above, this title amends the Internal Revenue Code of 1986 to include the rotavirus gastroenteritis vaccine as a taxable vaccine. The Joint Committee on Taxation estimates that the excise tax contained in this title will increase revenues by $1 million in fiscal year 1999 and by $15 million over the 1999-2003 period. (This tax provision is also contained in Division J, Title III—Revenue Offsets. Table 2 shows the vaccine tax as a separate line, and the estimated revenue offsets have been adjusted to avoid double-counting.)

Division J, Title I—Extension of Expiring Provisions. Title I of Division J extends certain tax provisions that had recently expired or would have expired, including:

- The research and experimentation tax credit through June 30, 1999,
- The work opportunity tax credit through June 30, 1999,
- The welfare-to-work tax credit through June 30, 1999,
- The deduction provided for contributions of appreciated stock to private foundations on a permanent basis,
- The exemption from Subpart F for active financing income with modifications for one year,
- Tax information reporting for the income-contingent student loan program through September 30, 2003, and
- The Generalized System of Preferences (GSP) through June 30, 1999.

Section 1012 renews GSP, which expired on June 30, 1998, through June 30, 1999. Taxpayers can apply for refunds for the period since July 1, 1998. GSP affords nonreciprocal tariff preferences to approximately 140 developing countries to aid their economic development and to diversify and expand their production and exports. Generally, duty-free treatment of imported goods from GSP-designated developing countries is extended to products that are not competitive internationally. The program contains safeguards to protect domestic industries that are sensitive to import competition. CBO estimates that renewing GSP will reduce governmental receipts by $310 million in fiscal year 1999, net of changes in payroll and income taxes. This estimate is based on projections of U.S. imports and recent data on collections from beneficiary countries under the GSP program.

Division J, Title II—Other Tax Provisions. Title II of Division J amends tax laws to:

- Change the treatment of nonrefundable personal credits under the alternative minimum tax for 1998,
- Accelerate the increase in the deduction for health insurance expenses for self-employed individuals to 100 percent in 2003 and thereafter,

- Change prior year estimated tax payment rules for individuals with adjusted gross income over $150,000,

- Extend income averaging for farmers on a permanent basis,

- Allow farmers not to include payments from production flexibility contracts in income prior to receipt,

- Extend the net operating loss carryback period for losses of farmers,

- Phase in an increase in state volume limits on private activity tax-exempt bonds to the greater of $75 million per capita or $225 million in 2007, and

- Allow states to amend their Social Security coverage agreements to exempt student employees at state schools.

Section 2023 allows states to amend their Social Security coverage agreements to exempt student employees at state schools. In general, under section 3121(b)(10) of the Internal Revenue Code, income earned by students employed by the college or university they attend is not subject to FICA tax. However, in the case of state colleges and universities, each state may choose in its agreement for the coverage of state and local employees ("218 agreement") to cover such income. This provision will allow states that currently cover such income—New Jersey, Pennsylvania, and Texas—to amend their 218 agreements to exempt such income from FICA taxes. This exemption will be effective for services performed after June 30, 2000. CBO based its estimate on wage data supplied by most affected schools and published enrollment data. The revenue effects of this provision are shown in the Table 3.

Table 3. Estimated Revenue Effects of Division J, Title II, Section 2023 of H.R. 4328

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
On-Budget	0	a	-5	-5	-5	-5	-5	-6	-6	-6
Off-Budget	0	-4	-42	-44	-46	-47	-49	-50	-52	-54
Total	0	-5	-47	-49	-51	-52	-54	-56	-58	-60

a. Loss of less than $500,000.

Division J, Title III—Revenue Offsets. Title III of Division J includes several revenue offset provisions that:

- Modify the treatment of certain deductible liquidating distributions of regulated investment companies and real estate investment trusts,
- Clarify and expand math error procedures,
- Restrict special net operating loss carryback rules for specified liability losses, and
- Add vaccines against rotavirus gastroenteritis to the list of taxable vaccines ($0.75 per dose).

The last of the four provisions listed above is also contained in Division C, Title XV, and is included as a separate item in Table 2.

Division J, Title V—Medicare-Related Provisions. To provide offsets for changes in Medicare spending, the act changes the tax treatment of prizes when individuals have an option to receive a single cash payment in lieu of receiving payment over at least 10 years and the prize is awarded as part of a contest, lottery, jackpot, or similar arrangement. The Joint Committee on Taxation estimates that this provision will increase revenues by $0.2 billion in 1999 and $1.6 billion in 2000 and reduce revenues in subsequent years. This provision will increase revenues by $0.9 billion over the 1999-2003 period.

Other Effects on Direct Spending and Receipts

Several other provisions in Divisions C through J may affect direct spending or receipts, but in each case, CBO expects that such changes will amount to less than $500,000 a year.

Division A, Section 113—Donations for the Natural Resources Library. This section allows the Secretary of the Interior to accept donations and bequests of money, services, or personal property for the management and enhancement of DOI's Natural Resources Library. CBO estimates that these donations will not exceed $1,000 each fiscal year and thus will have no significant effect on revenues.

Division A, Section 343—Byrd Hardwood Technology Center. This section will increase governmental receipts by authorizing the Secretary of Agriculture to assume all assets of the

Robert C. Byrd Hardwood Technology Center, including any cash, and to accept gifts and donations for research on hardwood forests. Such cash assets and donations are recorded as governmental receipts. The section also allows the Secretary to spend any amounts received from donations or from income generated by the newly formed Institute of Hardwood Technology Transfer and Applied Research without the need for appropriation action. Based on information from the Forest Service, CBO estimates that receipts from all sources will total less than $500,000 a year. Because such receipts and direct spending are likely to offset each other, we estimate that there will be no net budgetary impact.

Division C, Section 103—Foreign Service Annuitants. Section 103 will allow the State Department to reemploy Foreign Service annuitants on a temporary basis in emergency situations without reducing their annuities as prior law required. CBO estimates that this provision will increase direct spending on Foreign Service retirement benefits by less than $500,000 annually.

Division C, Section 139—Congressional Gold Medals and Commemorative Coins. Section 139 authorizes the President to present 10 gold medals on behalf of the Congress and allows the U.S. Mint to continue selling coins commemorating Jackie Robinson through the end of this calendar year. CBO estimates that authorizing the gold medals will increase direct spending from the U.S. Mint Public Enterprise Fund by about $90,000 in fiscal year 1999 and that allowing the Mint to sell some or all of its inventory of Jackie Robinson coins will increase collections to the Mint by as much as $1 million in fiscal year 1999. However, because the Mint can retain and spend the additional collections on other commercial activities, CBO estimates that the provision will have no net budgetary impact.

Division C, Section 148—Amendment to Defense Appropriation, 1992. This section requires the Department of Defense to pay the survivors of pilots killed in aviation exercises during Operation Desert Shield the unpaid balance of their retention bonuses. CBO estimates that the impact of this provision on direct spending will be less than $500,000.

Division C, Section 149—Bankruptcy Provisions for Family Farmers. This provision may change the level of fees for bankruptcy filings by family farmers. Such fees vary between Chapter 11, Chapter 12, and Chapter 13 of the bankruptcy code. Some of those fees are recorded as governmental receipts, while some are recorded as offsetting collections to the U.S. Trustee System Fund and are available for spending from that account. CBO estimates that any changes in fee collections under this section will be less than $500,000 a year.

Division C, Title III—Denali Commission. This title establishes a commission and authorizes it to accept, use, and dispose of gifts or donations. As a result, it will affect receipts and direct spending, but CBO estimates that donations (which are recorded as governmental receipts) will be negligible.

Division C, Title VII—Office of National Drug Control Policy Reauthorization. This title extends the authorization for the Office of National Drug Control Policy (ONDCP) through fiscal year 2003, creates two additional deputy director positions, and expands the responsibilities and powers of the office. Title VII also makes permanent ONDCP's current authority to receive gifts from private sources, but CBO estimates that enacting the title will not significantly increase governmental receipts. Since ONDCP cannot use the donated funds without further appropriation action, the title will not affect direct spending.

Division C, Title XI—Internet Tax Freedom Act. Title XI establishes an Advisory Commission on Electronic Commerce and authorizes it to accept and use gifts and donations to assist in its work. Donations of money are recorded in the budget as governmental receipts (revenues), and the use of any such amounts constitutes direct spending, but CBO estimates that any such donations will be less than $500,000 a year.

Division C, Title XIII—Children's Online Privacy Protection. This title prohibits operators of World Wide Web sites or online Internet services from collecting or disclosing a child's personal information without verifiable parental consent. The Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (FDIC) will implement title XIII as it applies to the institutions that those agencies regulate. Violators of the title's provisions will be subject to civil fines; however, CBO expects that any additional collections from enacting title XIII will be negligible because of the small number of cases likely to be involved.

The FDIC uses deposit insurance premiums paid by all banks to cover the expenses it incurs to supervise state-chartered banks. The title will cause a small increase in FDIC spending, but will probably not affect its premium income. In any case, CBO estimates that title XIII will increase direct spending and offsetting receipts by less than $500,000 a year over the 1999-2003 period. Changes in the Federal Reserve’s net earnings, which are remitted to the Treasury, are recorded as changes in revenues. CBO estimates that title XIII will reduce such revenues by less than $500,000 a year over the 1999-2003 period.

Division C, Title XIV—Child Online Protection. Title XIV amends the Communications Act of 1934 to require persons engaged in interstate or foreign commerce in the distribution through the World Wide Web of material that is harmful to minors to restrict access to such

Internet material by persons under 17 years old. The title also imposes criminal and civil penalties on any person who violates the requirement to restrict access to material that is harmful to minors. Title XIV will increase governmental receipts from the collection of fines, but CBO estimates that any such increase will be less than $500,000 a year. Criminal fines are deposited in the Crime Victims Fund and are spent in the following year. Thus, any change in direct spending from the fund will also amount to less than $500,000 a year.

Division C, Title XVII—Government Paperwork Elimination Act. This title generally requires agencies to allow individuals and businesses to submit federal forms electronically with authenticated signatures. For most agencies, any impact on spending will be subject to the availability of appropriated funds; however, the title could affect direct spending by agencies not funded through annual appropriations, such as the Tennessee Valley Authority and the Bonneville Power Administration. CBO estimates that any increase in spending by these agencies will not be significant.

Division D—Drug Demand Reduction Act. Among other things, Division D directs the ONDCP to conduct a national media campaign to reduce and prevent the abuse of drugs by minors and young adults and requires that ONDCP attempt to obtain matching funds from nonfederal sources to fund one-half of the costs of the media campaign. Contributions that ONDCP receives from nonfederal sources will constitute an increase in governmental receipts, with the subsequent spending of such funds representing an increase in direct spending. Because we expect that receipts from contributions will be offset by the spending of those funds, we estimate that the Division D will have no net budgetary impact for pay-as-you-go purposes.

Division E—Methamphetamine Trafficking Penalty Enhancement Act. This provision may increase governmental receipts through greater collections of criminal fines; however, CBO does not expect any increased collections of fines to exceed $500,000 a year. Any change in direct spending from the deposit of fine collections into the Crime Victims Fund will match any increase in revenues with a one-year lag.

Division G—Foreign Affairs Reform and Restructuring Act. Section 2204 extends the availability of fees for commercial services provided by the State Department to two fiscal years, and section 2209 will extend the availability of funds deposited into the Capital Investment Fund until they are expended. CBO estimates that additional spending from this provision will be less than $500,000.

Section 2212 allows the department to accept reimbursement for the expenses of pursuing a claim against a foreign government or entity. Section 2205 authorizes the department to provide training services to corporate employees, their families, and Congressional employees on a reimbursable basis and to collect a new fee for the use of the Foreign Affairs Training Center. Section 2206 authorizes the department to collect a new fee for the use of diplomatic reception rooms. CBO estimates that annual collections and spending from these provisions will nearly offset each other.

Section 2411 authorizes recipients of grants from the National Endowment for Democracy to deposit grant funds in interest-bearing accounts and to use the interest without further appropriation. Under current law, the grantees refund their interest earnings to the government. CBO estimates that as a result of this provision the Treasury will forgo collections of less than $60,000 a year.

Section 2244 clarifies and extends through 1999 an immigration policy that allows certain Vietnamese refugees to be accompanied by their unmarried adult children. CBO estimates that the number of additional refugees entering the United States will be small and that the provision will not have a significant budgetary impact.

Division I—Chemical Weapons Convention. Division I implements the obligations of the United States under the Chemical Weapons Convention (CWC). This legislation mandates fines and forfeiture of assets for illegal acquisition, transfer, possession, or use of chemical weapons or their precursors as well as for prohibited acts related to inspections and recordkeeping. In addition, the act would waive the United States' defense of sovereign immunity for torts or takings claims that arise in connection with the enforcement provisions of the CWC. CBO estimates that the impact of these provisions on direct spending or receipts will be less than $500,000 annually.

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Division A
- Section 103—TVA debt refinancing: Kathleen Gramp
- Section 122—Default loss protection: Robin Seiler
- Section 343—Byrd Hardwood Technology Center: Victoria V. Heid
- Title IX—Women’s Health and Cancer Rights: Tom Bradley

Division C
- Section 103—Foreign Service annuitants: Eric Rollins
- Section 139—Gold Medals and Commemorative Coins: John R. Righter
- Section 140—San Joaquin land conveyance: John R. Righter

Division C (continued)
- Section 141—Lorton Correctional Complex: John R. Righter
- Section 148—Defense Appropriation Amendment: Jeannette Deshong
- Section 149—Bankruptcy provisions for family farmers: Susanne Mehlman
- Title III—Denali Commission: Gary Brown
- Title IV—New visa fees and spending: Christi Hawley Sadoti
- Title VI—South Dakota land transfer: Gary Brown
- Title VII—Office of National Drug Control Policy: John R. Righter
- Title X—Canyon Ferry Reservoir: Gary Brown
- Title XI—Internet Tax Freedom Act: Mark Hadley
- Title XIII—Children's online privacy protection: Mark Hadley
- Title XIV—Child online protection: Mark Hadley
- Title XV—Vaccine injury compensation: Jeanne De Sa
- Title XVI—Persian Gulf War Veterans Act: Charles R. Riemann
- Title XVII—Government Paperwork Elimination Act: John R. Righter

Division D—Drug Demand Reduction Act: John R. Righter

Division E—Methamphetamine trafficking: Mark Grabowicz

Division G—Foreign Affairs Reform and Restructuring: Joe Whitehill and Sunita D'Monte

Division H—Sallie Mae: Deborah A. Kalcevic

Division I—Chemical weapons convention: Jeannette Deshong

Division J
- Titles I-III—Revenues: Hester Grippando and Noah Myerson
- Section 1012—Trade Adjustment Assistance: Christi Hawley Sadoti
- Title V—Medicare: Tom Bradley and Cyndi Dudzinski

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